

## PREFACE

The First Quadrennial Review of Military Compensation (QRMC) was convened in 1965 by Secretary of Defense Robert S. McNamara in response to newly enacted Congressional legislation. Section 1008(b) of Title 37, United States Code stated:

*Whenever the President considers it appropriate, but in no event later than January 1, 1967, and not less than once each four years thereafter, he shall direct a complete review of the principles and concepts of the compensation systems for members of the uniformed services. Upon completion of such review he shall submit a detailed report to Congress summarizing the results of such review together with any recommendations he may have proposing changes in the statutory salary system and other elements of the compensation structure provided members of the uniformed services.*

Periodic review of the military compensation system is a valuable undertaking. In fiscal year 2002, military compensation comprised about one third of defense outlays, a total of nearly \$110 billion. This investment is substantial and the Department of Defense must ensure that these resources are efficiently and effectively spent. Furthermore, the military compensation system includes a vast array of components. Ensuring that these components are used in a way that is consistent with their purpose and that they remain valid in light of changing economic and security environments is also essential. These topics have been the focus of past QRMCs.

Continuing in the tradition of its predecessors, the Ninth Quadrennial Review of Military Compensation (9<sup>th</sup> QRMC) assesses the effectiveness of current military compensation policies in recruiting and retaining a high-quality force. The review takes place at a time of increasing pressure on military recruiting and retention. The downsizing of the active force in the 1990s, from over 2.1 million to its current level of 1.4 million, provided a respite for military manpower planners. Today, however, both enlisted recruiting and the retention of career personnel in some occupations have become more challenging. Furthermore, the Reserve component has experienced many of the same difficulties, as has the active force.

Recruiting and retention challenges are a result of both external and internal pressures. A sustained strong economy and changing private-

sector compensation practices along with changing missions and operational requirements create a complex environment for sustaining the All-Volunteer Force. This environment requires that military compensation and personnel policies become more flexible in order to meet emerging challenges—a fundamental theme of the 9<sup>th</sup> QRMC. The flexibility that exists in the current system may no longer be sufficient as the Department transforms into a 21<sup>st</sup> century force.

This document, Volume I of the 9<sup>th</sup> QRMC report, summarizes our findings and recommendations. The report focuses on three broad areas of compensation policy: regular military compensation, special and incentive pays and bonuses, and other measures of financial well-being such as educational benefits, the standard of living of junior enlisted families, and military retiree earnings. The centerpiece of the study is an analysis of basic pay—the foundation of compensation policy. The uniformed services are far more educated today than in the past, and traditional pay comparisons are no longer appropriate. The QRMC recommends fundamental changes in how military and civilian pay are compared, changes which in turn point to the need for targeted pay adjustments to “fix basic pay.”

The 9<sup>th</sup> QRMC is unprecedented in that its major recommendations were accepted and enacted before the final report was released. President Bush has demonstrated strong support for the results of this report, and showed decisive action in recommending the largest military pay raise in two decades.

I thank the uniformed Services for actively participating in the deliberations of the 9<sup>th</sup> QRMC. Their willingness to evaluate empirical findings and collaborate to form recommendations that serve Department-wide interests was invaluable. I would also like to thank the staff of the Under Secretary of Defense for Personnel and Readiness for its timely contributions of data and review. Finally, I thank the staff members of the 9<sup>th</sup> QRMC, and especially their director, Dr. Curtis Gilroy, for developing and presenting issues before the Working Group and Senior Advisory Board. The impact of the 9<sup>th</sup> QRMC is a tribute to all who participated.

A handwritten signature in black ink, appearing to read "Donald Rumsfeld", with a stylized flourish at the end.

Donald Rumsfeld  
Secretary of Defense